

**BINGHAMTON LOCAL
DEVELOPMENT CORPORATION**

Binghamton, New York

FINANCIAL REPORT

**For the Year Ended
August 31, 2012**

BINGHAMTON LOCAL DEVELOPMENT CORPORATION

AUGUST 31, 2012

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Binghamton Local Development Corporation
Binghamton, New York

We have audited the Statement of Financial Position of the Binghamton Local Development Corporation (the Corporation), a component unit of the City of Binghamton, as of August 31, 2012, and the related Statements of Activities and Changes in Net Assets, and Cash Flows for the year then ended. These financial statements are the responsibility of the Corporation's management. The financial statements of the Corporation as of August 31, 2011 were audited by other auditors, whose report dated November 9, 2011 expressed an unqualified opinion on those statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Binghamton Local Development Corporation as of August 31, 2012, and the results of their activities, changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's financial statements as a whole. The supplementary financial information on pages 8 and 9 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Ciaschi, Dietershagen, Little, Mickelson, & Company, LLP

November 26, 2012
Ithaca, New York

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BINGHAMTON LOCAL DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 38,922	\$ 1,566,130	\$ 1,605,052
Loans receivable, net, current portion		302,636	302,636
Grants receivable		29,000	29,000
	<hr/>	<hr/>	<hr/>
Total Current Assets	38,922	1,897,766	1,936,688
Noncurrent Assets:			
Restricted cash		5,000	5,000
Investments		136,954	136,954
Loans receivable, net of noncurrent portion and allowance for doubtful accounts of \$254,000		1,264,299	1,264,299
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 38,922</u>	<u>\$ 3,304,019</u>	<u>\$ 3,342,941</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Accounts payable	\$ 36,750	\$ 535	\$ 37,285
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	36,750	535	37,285
Net Assets:			
Unrestricted	2,172		2,172
Temporarily restricted		3,303,484	3,303,484
	<hr/>	<hr/>	<hr/>
Total Net Assets	2,172	3,303,484	3,305,656
	<hr/>	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 38,922</u>	<u>\$ 3,304,019</u>	<u>\$ 3,342,941</u>

See Independent Auditor's Report and Notes to Financial Statements

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
AUGUST 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Interest and fees on loans	\$	\$ 65,446	\$ 65,446
Grant income - Broome Enterprise Triad	110,250		110,250
UDAG repayments		59,160	59,160
CDBG HUD funds		302,044	302,044
Interest	6	1,035	1,041
Miscellaneous income	860	546	1,406
Gain on sale of land		172,000	172,000
Net assets released from restriction	<u>390,390</u>	<u>(390,390)</u>	<u>-0-</u>
 Total Revenues	 <u>501,506</u>	 <u>209,841</u>	 <u>711,347</u>
Expenses:			
Facilities, personnel, materials, and supplies - CDBG HUD funds	302,044		302,044
Broome Triad Expense	110,250		110,250
Marketing	9,746		9,746
Travel	599		599
Office expenses	1,763		1,763
Program expenses	9,750		9,750
Bad debt	68,333		68,333
Transfer to other organization	3,541		3,541
Other	<u>622</u>		<u>622</u>
 Total Expenses	 <u>506,648</u>	 <u>-0-</u>	 <u>506,648</u>
 Total (Decrease) Increase in Net Assets	 (5,142)	 209,841	 204,699
 Net Assets, Beginning of Year	 <u>7,314</u>	 <u>3,093,643</u>	 <u>3,100,957</u>
 Net Assets, End of Year	 <u>\$ 2,172</u>	 <u>\$ 3,303,484</u>	 <u>\$ 3,305,656</u>

See Independent Auditor's Report and Notes to Financial Statements

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
AUGUST 31, 2012

Cash Flows from Operating Activities:	
Change in net assets	\$ 204,699
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Bad debts expense	68,333
(Gain) on sale of land	(172,000)
Increase (decrease) in:	
Accounts payable	<u>37,043</u>
Net Cash Provided by Operating Activities	<u>138,075</u>
Cash Flows from Investing Activities:	
New loans	(99,000)
Loan repayments	212,956
Proceeds from sale of land	<u>240,000</u>
Net Cash Provided by Investing Activities	<u>353,956</u>
Net Cash Provided by Financing Activities	<u>-0-</u>
Net Increase in Cash and Cash Equivalents	492,031
Cash and Cash Equivalents, Beginning of Year	<u>1,118,021</u>
Cash and Cash Equivalents, End of Year	<u>\$ <u>1,610,052</u></u>

See Independent Auditor's Report and Notes to Financial Statements

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2012

Note 1 - Summary of Significant Accounting Policies

Purpose of the Corporation

The Binghamton Local Development Corporation (the Corporation) is a not-for-profit corporation formed to further sustainable economic development in the City of Binghamton by attracting new business, retaining and growing established business, building industrial and commercial capacity, promoting employment, and fostering entrepreneurship and innovation.

The Corporation is a nonprofit corporation, and is a component unit of the City of Binghamton (City). The financial activities of the Corporation are combined with the financial activities of the City in the City's financial statements.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting and are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 "Not-for-Profit Entities." Under FASB ASC 958, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Corporation has no permanently restricted net assets. Temporarily restricted net assets represent resources received from Community Development Block Grants (CDBG) and Urban Development Action Grants (UDAG) which are restricted as to their use.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments consist of real estate that was purchased with the intent to resell. The investment is recorded at cost; unrealized gains or losses related to changes in market value are not recorded for this investment.

Concentrations of Risk and Investments

Cash Balances

The Corporation maintains its accounts at a single financial institution. The Corporation has bank deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits, and maintains a collateralization agreement with this financial institution for cash balances in excess of FDIC limits. At August 31, 2012, \$-0- was uncollateralized and uninsured.

Loans Receivable

Loans receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to loans receivable.

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
AUGUST 31, 2012

Fixed Assets

At August 31, 2012, the Corporation had no capitalized fixed assets. Land held as of August 31, 2011 was sold during the current fiscal year.

Support and Revenue

The Corporation is funded principally through grants from the City of Binghamton CDBG program. The Corporation recognizes grant funds for CDBG upon receipt, which coincides with the disbursement of the funds by the Corporation.

The Corporation also received revenue in the form of repayments on loans originally granted by the City of Binghamton from UDAG program funds. Program income from UDAG loan repayments is recognized as revenue when received.

The City of Binghamton contributes office space; other expenses of the Corporation are paid from the aforementioned CDBG program grants.

Income Tax Status

The Corporation is a not-for-profit Corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code.

The Corporation's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending August 31, 2009, 2010 and 2011 is subject to examination by the IRS, generally for three years post filing.

Subsequent Events

The Corporation has evaluated subsequent events for reporting and disclosure through November 26, 2012, the date which the financial statements were available to be issued.

Note 2 - Loans Receivable

Loans receivable at August 31, 2012 consisted of the following:

Total Loans Receivable, beginning of year	\$ 2,003,224
Loan advances	99,000
Writeoffs	(68,333)
Principal repayments	<u>(212,956)</u>
Total Loans Receivable, end of year	<u>1,820,935</u>
Less Allowance for Doubtful Accounts	<u>(254,000)</u>
Loans Receivable, net of allowance	1,566,935
Less current portion	<u>(302,636)</u>
Loans receivable, net of current portion	<u><u>\$ 1,264,299</u></u>

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
AUGUST 31, 2012

The principal balance at August 31, 2012 includes \$1,095,610 loaned from CDBG funds and \$725,325 loaned from UDAG funds.

The allowance for doubtful accounts has been established for loans of borrowers who have filed for bankruptcy or are otherwise considered doubtful of collection. During the year ended August 31, 2012, \$68,333 in CDBG loans was written off as uncollectible. The allowance is considered adequate by management to cover all currently delinquent loans, and others which may become doubtful during the year.

Note 3 - Grants Receivable

Grants receivable at August 31, 2012 consisted of a \$29,000 grant from New York State. The Corporation is in the process of requesting reimbursement from the State for these funds.

Note 4 - City of Binghamton Agreement

The Corporation executed and renewed an agreement with the City regarding the use of CDBG and UDAG funds for various economic development programs. The current agreement expires November 30, 2012; however, either party can terminate the agreement with 30 days notice. If the agreement is terminated, all loans outstanding become the property of the City.

Pursuant to the agreement, the Corporation has been allocated funding from the City's CDBG and UDAG funds. In addition, loan repayments from City UDAG program loans are committed for use by the Corporation. The Corporation received \$70,601 during the year ended August 31, 2012 representing principal and interest; these funds have been recognized as revenue.

Note 5 - Commitments

At August 31, 2012, the Corporation had approved loans which were not yet disbursed. These commitments will be funded upon satisfaction of loan provisions by the applicant and the availability of funds at the time of closing.

Note 6 - Investments

In accordance with section 2925(6) of the Public Authorities Law for New York State, Public Authorities, the Corporation reports one investment as of and for the year ended August 31, 2012. The Corporation has an investment in real estate which it intends to resell; total costs accumulated to date are \$136,954. Investment policies are reviewed annually.

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
SCHEDULE OF LOANS RECEIVABLE
AUGUST 31,

	<u>8/31/2011</u>				<u>8/31/2012</u>
	Principal Balance	Advances	Repayments	Writeoffs	Principal Balance
<u>CDBG Loans:</u>					
Bearcats Development Group, LLC	\$ 154,733	\$	\$ 13,216	\$	\$ 141,517
Bleichert Brewing, Inc.		70,000	823		69,177
Bubbles Professional Autocare, LLC	90,096		133		89,963
Innovation in Imaging, Inc.	208,497		17,491		191,006
Kanenas, LLC	55,483		5,334		50,149
Robert & Celeste Mack	13,939		5,327		8,612
T. Mitchell Holdings	14,141		3,965		10,176
Net2000 Computers	10,136		2,040		8,096
On the Rocks, Inc.	19,997		1,542		18,455
RCT Development	13,095		13,095		-0-
REAJ Realty, LLC	86,575		10,568		76,007
Renkan Holdings	18,314		4,407		13,907
Sedona Enterprises, LLC	59,607		6,051		53,556
William R. Smith	11,274		3,609		7,665
Wisteria House	32,426		2,013		30,413
Kilmer Brasserie	68,333			68,333	-0-
VMR Electronics, LLC	76,502		11,136		65,366
VMR Realty Management, LLC	269,487		7,942		261,545
Total CDBG Loans	1,202,635	70,000	108,692	68,333	1,095,610

See Independent Auditor's Report

BINGHAMTON LOCAL DEVELOPMENT CORPORATION
SCHEDULE OF LOANS RECEIVABLE
(CONTINUED)
AUGUST 31,

	<u>8/31/2012</u>				<u>8/31/2012</u>
	Principal				Principal
	Balance	Advances	Repayments	Writeoffs	Balance
<u>UDAG Loans:</u>					
142 Court Street, LLC	\$ 26,454	\$	\$ 1,746	\$	\$ 24,708
142 Court Street, LLC	65,535		3,881		61,654
295 Court St. Associates - 2	101,590		5,775		95,815
DDBing Properties, LLC	145,379		6,001		139,378
PS & V Realty Co. Inc.	8,769		4,664		4,105
Sall-Stearns, Inc.	662		662		-0-
Burger Monday, LLC	20,000		3,783		16,217
Kell Enterprises		24,000	3,302		20,698
Thomas & Antoinette Dunn	14,504		3,191		11,313
Bearcats Development Group, LLC	38,095		14,286		23,809
Thomas Haines	55,357		10,714		44,643
Wisteria House, LLC	81,106		12,930		68,176
Tartu Properties	180,570		10,356		170,214
Books on the River, LLC	9,128		9,128		-0-
Rogers JFT, LLC	36,402		7,300		29,102
Lindsey, Floyd	6,844		3,830		3,014
On the Roxx Bar & Grill, LLC	10,194		1,605		8,589
Joseph F. Garbarino		5,000	1,110		3,890
	<u>800,589</u>	<u>29,000</u>	<u>104,264</u>	<u>-0-</u>	<u>725,325</u>
Total UDAG Loans					
	<u>800,589</u>	<u>29,000</u>	<u>104,264</u>	<u>-0-</u>	<u>725,325</u>
Total Loans Receivable	<u>\$ 2,003,224</u>	<u>\$ 99,000</u>	<u>\$ 212,956</u>	<u>\$ 68,333</u>	<u>\$ 1,820,935</u>

See Independent Auditor's Report